

# **Higher Education Funding Task Force Report**

*Adopted by the Coordinating Board for Higher Education  
June 12, 2008*

The following motion was approved unanimously by the CBHE:

**It is recommend that the Coordinating Board for Higher Education accept the report of the Higher Education Funding Task Force and adopt the comprehensive funding policies for Missouri public higher education as outlined in the report.**

**It is further recommended that the Coordinating Board for Higher Education direct the Commissioner to work with presidents and chancellors in identifying and collecting relevant information for developing a FY 2010 budget request for CBHE review and action at its September 2008 meeting.**

## Higher Education Funding Task Force Report

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Missouri's higher education system is an extraordinary asset. Missouri's colleges and universities educate future leaders who will provide the talent, energy, and innovation to keep Missouri competitive in a knowledge-based economy. Missouri needs college graduates in the numbers and disciplines required to meet the workforce demands of a 21st century economy and to ensure a higher quality of life for its citizens. Reports from several state and national organizations underscore the pivotal role of higher education in educating more citizens, expanding workforce development, and fostering continual innovation through research and technology transfer.

Whether or not Missouri public higher education is positioned to provide the needed educational services for a thriving economy is in doubt. The system must increase degree attainment and workforce development, as well as research and technology transfer activities. These actions can result in greater economic prosperity and a higher quality of life for all Missourians. Achieving these results will require greater institutional productivity and accountability, and additional state, federal, and private investments. In the long-term, Missouri will reap tremendous benefits.

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### **Invest in Missouri public higher education today, Assure the success of Missouri tomorrow**

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#### **Missouri public higher education institutions ...**

##### **\* Educate Missourians to compete and succeed in the 21<sup>st</sup> century**

*Missouri's public colleges and universities promote access, affordability, and accountability. They educate citizens of all ages for today's knowledge-based economy by equipping them to think critically, solve problems creatively, and communicate effectively. Such preparation is especially important in critical areas such as mathematics, engineering, technology, and science.*

##### **\* Fuel the state's economic engine for the benefit of all Missourians**

*Public higher education meets statewide needs and generates economic development. Our public colleges and universities make vital contributions to Missouri's economic growth through investments in education, research, job training, and service. Public higher education also serves as a catalyst to attract and retain higher paying jobs created by business and industry.*

##### **\* Make Missouri an even better place to live now and in the future**

*Public higher education promotes personal growth and citizenship. Missouri's graduates strengthen our democracy. They are more productively employed, economically independent, and likely to volunteer, vote, and stay healthy. Further, Missouri's public colleges and universities add to the quality of life of our communities through the arts, entertainment, and other cultural initiatives.*

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## Current Funding Realities

Total state funding for Missouri higher education institutions is currently less than it was in fiscal year 2001. While the legislature and the governor have made a commitment to restore overall state funding to the fiscal year 2001 levels by fiscal year 2010 (not adjusted for inflation), Missouri still lags far behind other states and continues to lose ground:

- Missouri's ranks 47<sup>th</sup> in per capita appropriation for higher education - \$150.33 compared to the national average of \$241.56. To reach the national average on this measure, Missouri's appropriations for higher education would have to increase by 60%, over \$527 million.<sup>1</sup>
- Missouri's ranks 46<sup>th</sup> in appropriations per \$1,000 of personal income - \$4.60 compared to the national average of \$6.71. To reach the national average on this measure, Missouri's appropriations for higher education would have to increase by 45%, over \$395 million.<sup>1</sup>
- Missouri ranks 49<sup>th</sup> in change in state appropriations from fiscal year 2002 to fiscal year 2007 at -9.9%. The national average was 15.1% for this time period. (*Note: Colorado's appropriations for higher education declined by -10.1%.*)<sup>1</sup>
- While the Higher Education Funding Task Force did not do its own calculations regarding a funding gap, choosing instead to focus on the business plan for justifying additional investment, all three sectors of Missouri public higher education agree that there is a significant gap for each sector and, therefore, for the state as a whole.

**Missouri's current level of investment in public higher education jeopardizes the system's ability to produce the citizenry and workforce required to support the continued economic growth of the state throughout the 21<sup>st</sup> century.**

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<sup>1</sup> Source: *Grapevine Compilation of State Higher Education Tax Appropriations Data for Fiscal Year 2007*, Illinois State University and *State Higher Education Finance*, State Higher Education Executive Officers, 2007.

## Looking Forward

The Higher Education Funding Task Force recommends that Missouri use new policy-driven higher education funding strategies. The policies follow a business model approach designed to meet the needs of students, citizens, communities, and the Missouri economy. The funding strategies are externally benchmarked, transparent, and focused on results – and should be clearly communicated to the public.

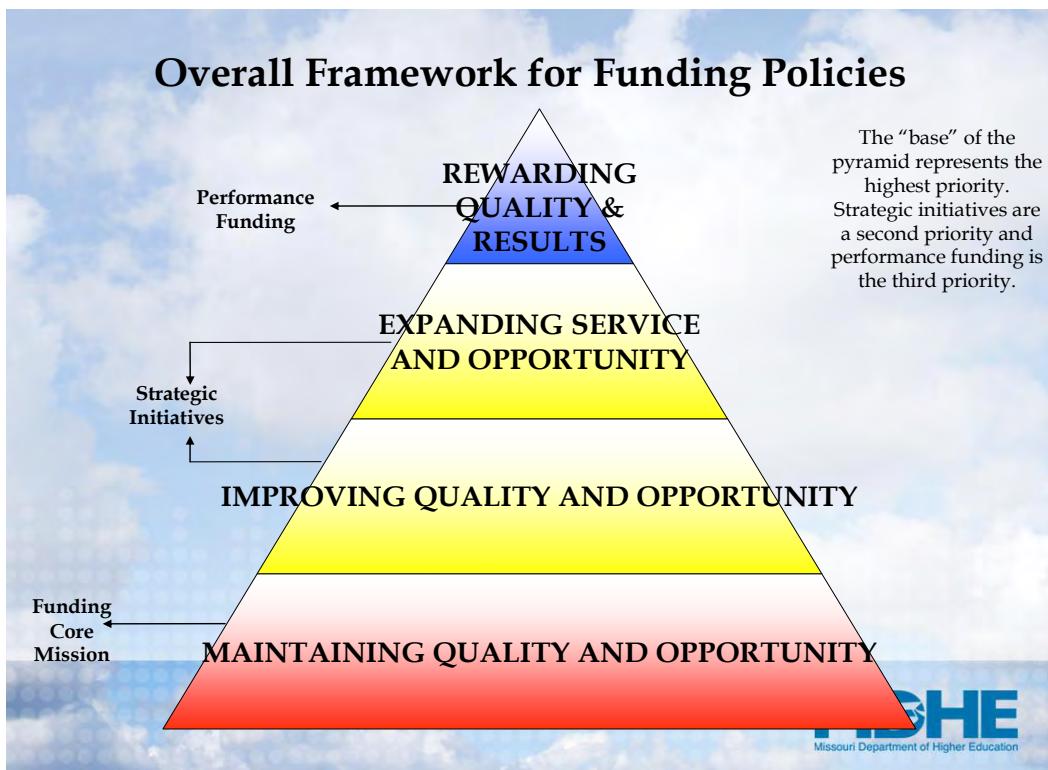
The funding strategies are designed to connect with the state's coordinated plan for higher education, focus on institutional mission, provide incentives for high performance, and address issues such as enrollment sensitivity, adequacy, and rising fixed costs.

Currently, Missouri's public colleges and universities are funded using an incremental process. Incremental funding can provide continuity from year to year; however, as state support for Missouri's higher education institutions has declined in some recent years and not increased in others, funding has not been stable. In addition, the incremental approach has not been sensitive to enrollment growth, does not provide incentives for high performance or focusing on meeting state and community needs, and does not provide the capacity to adjust to new opportunities and challenges.

During the past year, the Higher Education Funding Task Force has developed funding policies to recommend to the Coordinating Board. The members of the Task Force, its technical support group, and its communication support group are listed in Attachment 1.

This report presents the Task Force's proposals for new comprehensive funding policies for Missouri public higher education. The guiding principles that were used in developing the funding policies are contained in Attachment 2.

## Overall Framework



The Task Force recommends a funding framework consisting of three broad components:

1) *Maintaining Quality and Opportunity: Core Mission Funding.* This component recognizes that each institution has ongoing costs that must be addressed, including resources to address rising fixed costs, to remain competitive with other states in terms of facilities and personnel, to address enrollment growth, and to support program delivery.

2) *Improving Quality and Opportunity & Expanding Service and Opportunity: Strategic Initiatives.* This component focuses on specific state and community needs and how institutions can respond to these needs consistent with each institution's mission. Strategic investments also include initiatives designed to improve quality of educational, outreach, and research programs and increase educational opportunities for Missourians. Initiatives identified in *Imperatives for Change*, the CBHE's coordinated plan are included in this category.

3) *Rewarding Quality and Results: Performance Funding.* This component includes investments and incentives that reward improvement or sustained excellence in key educational outcomes.

The “base” of the triangle, *Core Mission Funding*, is the highest priority. *Strategic Initiatives* are a second priority and *Performance Funding* is a third priority. The Task Force recommends that funds are allocated to support the three components of the funding framework each year, and that new funding in each category represents ongoing core increases. In determining how much should be allocated to each component, it is prudent to consider a multi-year approach. Because the resources necessary to support investments for core funding, strategic initiatives, and performance funding are substantial, a long-term funding commitment is essential.

## ***Core Mission Funding***

Investments in the Core Mission include:

- An inflationary increase to support ongoing operations and related fixed cost increases
- Funding to address historical inequity in funding
- Funding to recognize past enrollment growth and enrollment sensitivity in the future
- Funding for “adequacy” to close the gap between Missouri’s higher education institutions and external benchmarks with emphasis on the results garnered from closing that gap

Operationally, *Core Mission Funding* consists of an across-the-board investment, e. g., an increase at the rate of inflation<sup>2</sup>. Each institution would develop a concise summary of their fixed cost increases and an explanation of how new funds will be used to support ongoing operations<sup>3</sup>. Also included within *Core Mission Funding* are additional investments to address enrollment sensitivity, historical inequity in funding, and adequacy to make institutions more competitive with those in other states.

The Task Force intends that the percent increases under *Core Mission Funding* would be equivalent for all three sectors of Missouri public higher education – universities, community colleges, and Linn State Technical College.

## **Core Mission Components**

The community college and university sectors have each developed funding models for allocating resources among institutions to address the historical inequity, enrollment growth, and adequacy factors. Linn State Technical College, being a sector of one, does not require a distribution policies.

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<sup>2</sup> The Task Force recommends the use of the consumer price index, calculated in the same manner as specified in SB 389 regarding tuition increases, be used as the relevant measure of inflation.

<sup>3</sup> The format for summaries and explanations regarding fixed cost increases has not been determined.

**Universities:** The university sector has adopted general principles of agreement, which are included in Attachment 3. This allocation strategy provides that appropriations above an inflationary increase will be distributed each year according to an *Educational Program Model* developed by the Council on Public Higher Education (COPHE)<sup>4</sup> Work Group. This model estimates a funding gap between the national average state support per FTE student for public four-year institutions and state support per FTE student in Missouri. The funding gap is distributed on the basis of weighted full-time equivalent students. The weighting factors are based on academic program and student level, recognizing the varying costs associated with different programs and levels of instruction. Enrollment growth is also factored into the model. A funding gap is also calculated for medical and cooperative extension and research.

In addition, the COPHE core funding allocation strategy provides a special allocation for historical inequities attributable to the mission change from two-year to four-year status at Missouri Southern State University and Missouri Western State University. A special allocation is also provided for institutions that experienced enrollment increases in excess of 1,000 FTE students between fall 2000 and fall 2006 (Missouri State University, Southeast Missouri State University, and the University of Missouri). All university presidents have signed an agreement in support of the allocation strategy.

**Community Colleges:** The Missouri Community College Association (MCCA) has reached consensus on a funding allocation model. The community college sector used the following goals to guide the development of the new model:

1. The overarching philosophy is that this new distribution model be simple and easy to understand.
2. The model should be an “all funds” approach. (*Note: this approach takes into account local wealth, local tax rates, tuition rates, and state funding.*)
3. The funding model should be enrollment-sensitive but not driven by enrollment.
4. The tax base should be considered and local effort measured. On balance the relative wealth of the service region should be factored. This will be measured against tuition rate and fees.

In years in which the community college core appropriation increase exceeds 2.5 percent, an adjustment of up to 0.5 percent of the total state aid, excluding any *Strategic Initiative* or *Performance* funding provided in FY 2009 or later, will be distributed on a proportionate basis to colleges eligible for an equity adjustment. Each community college is given a point ranking based on access to tuition, local taxes, and state support. One-half of the equity funds are distributed based on an institution’s share of points for these factors and one-half is distributed to colleges where the total state aid allocation per FTE student falls below 85 percent of the mean total aid per FTE student. The rationale and assumptions for the community college model are included in Attachment 4.

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<sup>4</sup> COPHE is the organization of presidents and chancellors of Missouri’s public universities.

**Linn State Technical College:** While Linn State is a sector of one, and thus needs no distribution model, the institution has developed a funding target to address competitiveness with its peers. The methodology utilizes information gleaned from mission, instructional program weighting, and peer group benchmarking, while also incorporating enrollment sensitivity.

## ***Strategic Initiative Funding***

Strategic initiatives enhance institutions' current services and programs and provide additional programs or services to the state, such as **Preparing to Care**.

The Task Force reaffirms its support for the **Preparing to Care** initiative. The Task Force has indicated that continued support for this initiative is critical, and that it should be included in future funding requests. The model for the **Preparing to Care** initiative was presented to the Coordinating Board at its October 2007 meeting. Five additional potential strategic initiatives are:

- **Access to Success**, designed to improve the participation and academic success of "at risk" students
- **Teachers for the Future**, designed to improve K-12 student learning outcomes
- **Research and Service**, designed to support and provide incentives for basic and applied research activities and community service activities
- **METS**, designed to develop the critical mass of human talent needed to support strategic industries key to Missouri's future regional, national, and global competitiveness
- **Protecting Investments**, designed to retain the value of the physical assets in public higher education and improve teaching and learning environments

Additional details on the potential initiatives are included in Attachment 5. The Task Force recommends using a "menu" approach that presents several alternative initiatives to policy-makers rather than submitting a prioritized list for consideration in the appropriations request process. In addition, the Task Force recognizes that initiative options for future years should be flexible to take into account the changing environment and state and community needs.

The Task Force envisions that 1 – 1.5 percent of annual overall funding (approximately \$10 - \$15 million) would be allocated to **Strategic Initiatives** each year, and that Strategic Initiative funding becomes part of an institution's on-going funding.

## *Performance Incentive Funding*

The Task Force has also developed recommendations for *Performance Incentive Funding* and believes that the purpose of *Performance Incentive Funding* should be to reward institutions based on how an institution is improving as measured against its own past performance and for maintaining a high degree of performance relative to external benchmarks. Funding to reward performance should be allocated with additional funds beyond the base budget.

The indicators used for *Performance Incentive Funding* must arise out of *Imperatives for Change*, the CBHE's coordinated plan for Missouri higher education. When the plan is adopted and goals and indicators of progress are agreed upon, priority items can be selected for inclusion as performance funding indicators.

The Task Force has had preliminary discussions regarding indicators for *Performance Incentive Funding*. The Task Force members have agreed that any performance funding structure should be complimentary of the performance measure structure established in Senate Bill 389 (2007). This structure requires:

**Three common statewide indicators\***. Discussion has centered on the following potential measures:

- 1) general education attainment;
- 2) total statewide degree and certificate production; and
- 3) major field assessment or licensure/certification exam pass rates.

\* Of the three required statewide indicators, the law allows for **one sector-specific measurement**. With regard to this possibility, the Task Force has discussed, as an example, student engagement as measured by the National Survey of Student Engagement and Community College Survey of Student Engagement.

**Two institution-specific measurements.** Institution-specific measurements would be directly tied to both the institution's strategic plan and *Imperatives for Change*.

It is recommended that 1 - 2% (approximately \$10 - \$20 million) of overall funding be allocated to *Performance Incentive Funding* each year.

Attachment 6 is an illustrative example reflecting the Task Force's preliminary discussions regarding the operationalization of *Performance Incentive Funding*.

## Summary

The Higher Education Task Force recommends a new funding methodology for Missouri's colleges and universities. The methodology uses a business plan approach, is comprehensive, and includes:

- A rational allocation of state funds to support the core mission for each college and university, which addresses enrollment sensitivity and supports programmatic changes;
- Strategies that support specific state and community needs and address the importance of improving quality of educational programs and opportunities for Missourians; and
- Incentives that reward improvements in institutional performance and sustained excellence in key education outcomes.

Missouri's historical under funding of higher education complicates the transition to new funding policies and methodologies. All funding policies and methodologies are imperfect and they cannot resolve all the resource allocation challenges of a higher education system. Nor can they be expected to fully accommodate the wide range of objective and subjective differences among institutions and the special circumstances of each institution.

The Task Force has reached consensus on the importance of these policies and believes that adopting the new funding strategies is essential. While the policies and actions to support them may not result in a dramatic change on a one-year basis, in the long-term, these funding strategies can enable higher degree attainment, increased workforce development, and more productive research and technology transfer activities. If, over time, significant changes occur as a result of the adoption of these policies, the state and its citizens will reap tremendous benefits through greater economic prosperity and a higher quality of life.

**Members of the Higher Education Funding Task Force**

- Paul Wagner - Chair, MDHE Staff
- Don Claycomb - Linn State
- Don Doucette - Community Colleges
- Al Tunis - Community Colleges
- Donna Imhoff - MDHE Staff
- Evelyn Jorgenson - Community Colleges
- Stephen Lehmkuhle - Public Universities
- Brady Deaton - Public Universities
- Mary Beth Luna Wolf - Governor's Office
- Carolyn Mahoney - Public Universities
- Alan Marble - Community Colleges
- Michael Nietzel - Public Universities
- Aaron Podolefsky - Public Universities
- James Scanlon - Public Universities
- Carla Chance - Community Colleges
- Hal Higdon - Community Colleges
- Mike Price - House Staff

**Members of the Higher Education Funding Task Force**  
Technical Support Group

- Adam Koenigsfeld - MDHE Staff
- David Rector - Public Universities
- Ken Dobbins - Public Universities
- Robbie Meyers - Community Colleges
- Reinhard Weglarz - Community Colleges
- Al Tunis - Community Colleges
- Rick Mihalevich - Linn State
- Larry Gates - Public Universities

**Members of the Higher Education Funding Task Force**  
Communication Support Group

- Zora AuBuchon - MDHE Staff
- David Russell - Public Universities
- Ann Brand - Community Colleges
- Clif Davis - Community Colleges
- Beth Wheeler - Public Universities
- Wendy Baker - MDHE Staff

## Guiding Principles

The Task Force operated with the following principles, used to guide the development of a new funding methodology. In order to successfully serve the Missouri public higher education community, the new funding policies should:

- ***Be responsive to state and community needs.*** The funding policies should be responsive Missouri's need for a highly-educated workforce in a thriving 21<sup>st</sup> century economy.
- ***Be explicit in requests for funding.*** Requests for additional funds should be explicit so that political leaders know what they are "buying."
- ***Connect to the Coordinated Plan.*** Missouri is developing a *coordinated plan* that will be adopted by the Coordinating Board in 2008, and funding policies should support the plan's statewide goals.
- ***Be clearly communicated to the public.*** As a part of the funding strategy, all institutions and the Coordinating Board should work together and "speak with one voice."
- ***Address clear, distinctive missions.*** Missouri's public colleges and universities have unique roles in providing a variety of educational programs, and the funding policies should address these distinct roles.
- ***Provide adequate and equitable funding and be enrollment sensitive.*** The policies should address the adequacy of support for institutions to assure that support is similar for programs and institutions that are similar in size, scope, and mission. Since each institution has a different mission, equitable funding does not mean equal support for each institution. Enrollment increases should be addressed in the funding policies. Adequacy should be funded with additional "new" resources, rather than reallocating resources among the various institutions.
- ***Include performance-based incentives.*** The funding policies should include performance incentives that reward institutions for attaining certain goals as well as improvement.
- ***Be Simple and Rational.*** The funding policies should be as simple as possible and employ a rational approach.
- ***Promote efficiency and accountability in institutional operations.*** The funding methodology should provide campuses with autonomy in the allocation of

funds, and campuses should demonstrate effective and efficient use of resources and be accountable for the use of public funds.

- ***Recognize a multi-year approach.*** All analyses show that Missouri's higher education institutions need significant additional resources to meet the educational needs of Missouri's citizens. At the same time, financial realities must be recognized in budget requests. The proposals should be long-term and represent consistent policy and long-term financial needs.

**Principles of Agreement**  
**COPHE Institutions**

**General**

- Maintaining quality and educational opportunity at each four-year university requires continuity and predictability in the level of funding from one fiscal year to the next.
- State funds appropriated for improving quality and educational opportunity will be used to support investment strategies that advance teaching and research and directly benefit students including but not limit to:
  - recruit and retain highly qualified faculty and competent administrative and support staff, who are compensated at competitive market rates;
  - provide state-of-the-art technology infrastructure and equipment to support interactive learning environments, innovative research, and integrated information systems;
  - provide sustainable physical facilities to support various learning environments and research capacities at each institution;
  - provide supporting services, systems, and structures that improve educational opportunity and success of students; and
  - provide enhanced academic/administrative processes that promote improved effectiveness and efficiencies.
- Funding of the state's four-year institutions should address issues of adequacy and equity in the distribution of state appropriations (we acknowledge that adjustments based on historic strong enrollment growth and under-funded transitions from community colleges to four-year universities should be part of comprehensive funding model). In addition, the new funding system must recognize differences in institutional missions and economies of scale.
- A balanced funding methodology for public higher education must include opportunities for strategic state investments to address state needs and opportunities as well as funding mechanisms that recognize and reward institutional performance.

- In order for the state of Missouri to provide competitive educational opportunities and services for its citizens, state appropriations allocated to each four-year university must be at a level that enables institutions to achieve and sustain high-quality programming that is nationally competitive.
- State appropriations must also improve educational opportunities. Appropriations not allocated through performance funding or strategic initiatives should be allocated using a methodology for distributing resources that recognizes:
  - the four-year sectors' current level of funding relative to national benchmark data. Such data should be used in determining total state appropriations required to support the public four-year universities at a competitive level such that quality and educational opportunity are improved;
  - the cost differences that exist in the delivery of academic discipline-based courses and levels of students served (i.e., lower and upper division undergraduates, master's, doctoral, and professional students); and
  - the need to adjust appropriations levels based on periodic mission-review and enrollment growth.

**Principles of Agreement  
Operational Features of the COPHE Funding Model**

**Technical: Beginning in FY 2011**

1. Each year the base appropriation of each institution shall be increased by the rate of inflation as measured by the Consumer Price Index (CPI) for the prior fiscal year. This investment in each institution is the first priority that must be addressed annually.
2. Appropriations above inflation shall be distributed each year according to the Educational Program Model developed by the COPHE Work Group before funding earmarked for strategic initiatives or performance funding. This model estimates the funding gap between the national average state support per FTE student for public four-year public universities and state support per FTE student in Missouri. The funding gap shall be distributed on the basis of weighted full-time equivalent (WFTE) students. Application of this model shall follow points 3 through 14 itemized below and is illustrated on the attached simulation.

- WFTE students shall be determined by applying annualized student credit hours by student level to the following cost-ratio matrix to produce annualized weighted student credit hours.

#### **Cost -Ratio Matrix for Deriving Weighted Full-time Equivalent Students**

Discipline Cluster	Lower Division (1.00)	Upper Division (1.50)	Master's (2.10)	1 <sup>st</sup> Prof. (2.50)	Doctoral (3.00)
Cluster I (1.00)	1.00	1.50	2.10	NA	3.00
Cluster II (1.51)	1.51	2.26	3.17	NA	4.53
Cluster III (1.84)	1.84	2.76	3.86	NA	5.52
Cluster IV (2.19)	2.19	3.28	4.60	5.48	6.57
Cluster V (3.34)	3.34	5.01	7.01	8.35	10.02
Cluster VI None	NA	NA	NA	NA	NA

- Annualized weighted student credit hours shall be converted to annualized WFTE using the following credit hour load conversion factors:

<u>Student Level</u>	<u>Normalized Load</u>
Lower Division	30
Upper Division	30
Master's	24
1 <sup>st</sup> Professional	30
Doctoral	24

- Annualized WFTE will be calculated for the three most recently completed fiscal years, commencing with the summer session and concluding with the spring semester of each year. The sum of WFTE for the three most recent fiscal years shall be averaged to establish the WFTE enrollment base from which to calculate state appropriations attributed to each institution. A three-year rolling average WFTE shall be used in each subsequent year to establish a new WFTE enrollment base from which to calculate the next year's appropriations attributed to each institution.
- The identified funding gap shall be allocated over a four-year period commencing with fiscal year 2011 and ending with the fiscal year 2014 appropriations.
- The three-year average WFTE shall be multiplied by a standardized funding rate associated with the funding gap to determine the dollar amount of state appropriations assigned to each institution. Each subsequent fiscal year, the funding rate associated with the gap funds shall be increased by the CPI.

8. If in any given year state appropriations are insufficient to fully fund the recommended increase (i.e., base appropriations, gap funding, and other adjustments), then available funds will first be allocated based on adjusting the prior year appropriations by CPI as set forth in item 1. Any remaining new funds shall be allocated on a pro-rata basis between the marginal increase required to close the existing funding gap (composed of education program activities from the cost ratio matrix, medical programs, and cooperative extension/research) and adjustments for mission and enrollment growth as set forth in items 7, 9, 10, 11 and 13. For example, using data from the attached simulation, in FY 2011 any appropriations above CPI would be distributed as follows: gap funding (three components) 83.6%, mission adjustments 4%, and enrollment adjustments 12.4%. Funds assigned to reduce the existing funding gap shall be allocated based on WFTE. Funds assigned for adjustments based on mission and enrollment growth shall be distributed on a proportional basis among the affected institutions.

Appropriations available to close the funding gap should be distributed to education program activities (from the cost ratio matrix), medical programs, and cooperative extension/research proportionate to the total funding gap identified by the COPHE Work Group. The total funding gap, in FY2006, was calculated at \$212,281,825. The funding gap for common program activities was \$157,918,039 (74.39%), medical programs \$46,671,820 (21.99%), and cooperative extension/research \$7,691,461 (3.62%).

For example: if the legislature appropriates a total of \$20 million in FY2011 over and above an inflationary increase to help close the existing overall funding gap. Distribution of the \$20 million in funding gap appropriations would be as follows:

Education Program Activities (from the Cost Ratio Matrix)	\$14,878,000	74.39%
Medical Programs	4,398,000	21.99%
Coop Extension/Research	724,000	3.62%

9. A special funding adjustment shall be made for funding inadequacies attributable to the mission change from two-year to four-year status at Missouri Southern State University and Missouri Western State University. The adjustment is calculated for each institution by multiplying the upper division annualized WFTE by the standardized funding rate established in item 7. This funding will be recommended in two equal installments during FY 2011 and FY 2012 as illustrated on the attached simulation.
10. A special funding adjustment shall be made for those institutions that have experienced enrollment increases in excess of 1,000 FTE student between fall 2000 and fall 2006. The adjustment is calculated by converting student FTE

growth to annualized weighted FTE change and multiplying the result by the standardized rate established in item 7. The institutions eligible for an enrollment growth funding adjustment include Missouri State University, Southeast Missouri State University, and the University of Missouri. This funding will be recommended in two equal installments during FY 2011 and FY 2012 as illustrated on the attached simulation.

11. The model shall recognize and fund enrollment growth that represents a significant change in the number of WFTE students being served by an institution. Changes in the three-year rolling average WFTE (plus or minus) may warrant an adjustment in funding. Funding for eligible enrollment change shall be funded at a marginal funding rate per WFTE student. The marginal funding rate shall be 55% of the average funding rate per WFTE student.
12. Every two to three years, the cost-ratio matrix shall be reviewed and updated to reflect changes in academic-discipline/student level cost ratios.
13. The distinctive characteristics of medical programs (i.e., medicine, dentistry, and veterinary medicine) and cooperative extension and cooperative research (agriculture) necessitates separate calculations of resource requirements for these programs. Funding for medical programs at the University of Missouri shall be based on national comparative data and provide funding comparable to the 50<sup>th</sup> percentile nationally for public medical programs. Cooperative extension funding for Lincoln University and the University of Missouri shall be benchmarked to the USDA north central region and to four states in the USDA southern region contiguous to Missouri. This reference group of states shall have a comparable client base to Missouri (i.e., size of population, number of farms, youth populations, and number of small businesses). Funding for cooperative extension shall be set at the average (mean) of the reference group states. Any funding gap associated with cooperative extension shall be distributed between Lincoln University and the University of Missouri on a 50/50 basis until Lincoln University reaches the required dollar for dollar match on its federal funds. Once the matching requirement is satisfied, any additional gap funding shall be distributed proportionate to federal funding received by each institution. Cooperative research (agriculture) at both Lincoln University and the University of Missouri shall be funded annually through state appropriations in an amount sufficient to meet the required federal match for these programs.
14. Periodically, funding adjustments may be required beyond those reflected by the funding model where a five-year mission review identifies a special need to supplement existing funding.

**MCCA Presidents and Chancellors Council  
Funding Equity Recommendation**

**Charge:** Through the Higher Education Funding Task Force, MCCA was asked to review the current funding equity adjustment process and to develop an alternative model. The following goals were developed by the Council to guide the development of the new model:

1. The overarching philosophy is that this new distribution model be simple and easy to understand.
2. The model should be an “all funds” approach.
3. The funding model should be enrollment sensitive but not driven solely by enrollment.
4. The tax base should be considered and local effort measured. On balance the relative wealth of the service region should be factored. This will be measured against tuition rate and fees.

**Recommendation:** In years in which the community college core appropriation exceeds 2.5 percent, an adjustment of 0.5 percent of the total state aid excluding any Strategic Initiative funding arising in FY 2009 or later will be distributed on a proportionate basis to those eligible for an equity adjustment.

In an all funds model, institutions shall be ranked from high to low based upon their tuition rate (maximum points for highest tuition rate), and from high to low based upon the approved tax rate (maximum points for highest tax rate levied), and from low to high on the assessed value of the taxing district per FTE (maximum points for the lowest assessed value per FTE). Finally, the institutions shall be ranked from high to low, on the total state aid per FTE (maximum points for the lowest state appropriation per FTE). This ranking shall be used to identify those institutions with the overall lowest access to tuition, tax, and state support and shall serve as savings clause that relieves those institutions from contributing to the equity distribution pool.

One-half of the available equity funds shall be distributed based upon the institution's share of points awarded for the all funds factors.

One-half of the available equity pool shall be distributed to colleges where the total state aid allocation per FTE falls below 85 percent of the mean total state aid per FTE.

**Rationale and Assumptions:** In order to address issues of equity in the distribution of state funds and at the same time to protect all member colleges' financial viability, the following assumptions guide this distribution model:

Assumption 1: Equity rather than equality should be the goal of any funding distribution model. Reaching equality would mean balancing so many variables that it becomes a practical impossibility. Equity is a simple, mathematically elegant solution that seeks only a defensible degree of distribution.

Assumption 2. One-half of the available equity pool shall be distributed to address disparity arising from an “all funds” consideration that recognizes local maintenance fee effort, local tax capacity (assessed value) and local tax burden (tax rate), and state appropriation. The institutions shall be arrayed based upon the score with those institutions with the lowest wealth relieved from contributing to an equity pool. The highest wealth institutions would not be eligible to receive from this phase of the distribution. Natural separations in the rankings will guide the determination of the divisions within the group.

Assumption 3: The remaining one-half of the equity pool will be distributed in the traditional state aid funding for FTE model. While any number of colleges may fall at or above 15% of the mean, some process of equity adjustment should be developed that addresses the needs of those colleges falling below 85% of the mean. The 15% mean point is a historic artifact from previous allocation models.

Assumption 4: The total dollars involved in any equity adjustment for colleges falling below 85% of the mean should be distributed among or between these colleges in proportion to the amount they fall below the mean.

## POTENTIAL STRATEGIC INITIATIVES

### *Access to Success*

#### **WHAT IS ACCESS TO SUCCESS?**

Access to Success is a strategic initiative to improve the participation and academic success of “at-risk students” attending Missouri’s colleges and universities. The desired outcomes of this initiative are:

- Increased participation in higher education of traditionally underserved populations
- Increased retention rates of “at-risk students” from the first to the second year of college
- Improved competencies and mastery of basic verbal, quantitative, and analytical skills
- Increased associate and baccalaureate degree completions of “at-risk students”

“At-risk students” are defined as those students with a lower chance of succeeding academically in colleges due to inadequate preparation and mastery of basic numerical and verbal skills. For purpose of allocating Access to Success funds to four-year institutions, an “at-risk student” is defined as any student with ACT/SAT sub-score(s) in mathematics, or reading, or English below college readiness benchmarks indicating a low probability of academic success without appropriate remediation. For purpose of allocating Access to Success funds to two-year institutions, an “at-risk student” is defined as any student with ASSET sub-score(s) in numerical, or writing, or reading skills indicating a low probability of academic success without appropriate remediation.

#### **WHY ACCESS TO SUCCESS?**

- To close the educational gap between underserved populations and those traditionally served by higher education.
- To incentivize colleges and universities to provide programming support to assist “at-risk students”, so they can persist and complete their degrees.
- To ensure that undergraduates possess the requisite skills and abilities to be effective workers and engaged citizens.
- To incentivize colleges and universities to help undergraduate students complete their degree in a timely fashion.

#### **HOW THE ALLOCATION OF FUNDS FOR ACCESS TO SUCCESS WORKS?**

- Each four-year institution receives a portion of the Access to Success funds based on its proportionate share of academically “at-risk students” as determined by ACT college readiness benchmarks in Reading (score 21) or English (score 18).
- Each two-year institution receives a portion of the Access to Success funds based on its proportionate share of academically “at-risk students” as determined by an approved assessment instrument (ASSET or other) indicating a deficiency in one of the following basic skills: writing or reading.

- Each two-year institution receives a portion of the Access to Success funds based on its proportionate share of “at-risk students” completing a to be determined number of credit hours with a grade point average of at least 2.0.
- Each four-year institution receives a portion of the Access to Success funds based on its proportionate share of “at-risk” first-time degree-seeking freshmen with at least 24 credit hours and a grade point average of at least 2.0.
- Each two-year and four-year institution receives a portion of the Access to Success funds in proportion to its share of total statewide associate or baccalaureate degrees awarded to or, for two-year institutions, successful transfers involving “at-risk students”.

## ***HOW ARE ACCESS TO SUCCESS FUNDS USED?***

- Access to Success funds may be used at the discretion of each institution to improve support service for “at-risk students”.

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## ***Teachers for the Future***

### ***WHAT IS TEACHERS FOR THE FUTURE***

The Teachers for the Future initiative is a program to improve K-12 student learning outcomes. The initiative seeks to accomplish this outcome by stimulating the development of teacher education programs of excellence at selected universities; in turn, these programs would become exemplars for other institutions and would offer lessons learned about best practices, thus improving the quality of teacher graduates produced by a broad range of universities. This program will:

- Produce teacher education graduates with higher levels of mastery of subject matter and pedagogical content knowledge that will allow them to teach more imaginatively and productively.
- Ensure that teacher candidates acquire and demonstrate mastery of literacy and numeracy skills, and that they are prepared to teach them, irrespective of the level at which they will be teaching.
- Ensure that elementary school teachers learn the core structure of multiple disciplines and are prepared to teach content knowledge in a variety of subjects.
- Provide teacher candidates with skills and abilities to evaluate and use new technologies to facilitate teaching and learning.
- Educate teacher candidates on the significance of cultural diversity and its impact on effective teaching.
- Provide an integrated clinical-practice and a two-year residency mentoring induction experience for all graduates of teacher education programs.
- Establish strong partnerships between K-12 schools and university teacher education programs.

### ***WHY TEACHERS FOR THE FUTURE?***

A well-educated workforce and citizenry begins with having well-educated and trained teachers in the public school system. Without highly qualified teachers expertly trained in their subject matter field, the likelihood of improving the educational level and workforce readiness of future generations is questionable. According to a recent report from the Carnegie Corporation:<sup>5</sup>

... recent research based upon thousands of pupil records in many different cities and states establishes beyond doubt that the quality of the teacher is the most important cause of pupil achievement. Excellent teachers can bring about remarkable increases in pupil learning even in the face of severe economic or social disadvantage. Such new knowledge puts teacher education squarely at the focus of efforts to improve the intellectual capacity of school children in the United States. More than ever, the nation needs assurance that colleges and universities are educating prospective teachers of the highest quality possible.

In Missouri:

- Two-thirds of 7<sup>th</sup> to 12<sup>th</sup> graders are taught by qualified teachers, while among top-performing states 80% are taught by qualified teachers.
- Eighth graders perform poorly on national assessments in reading, writing, mathematics and science relative to top-performing states.
- A very small percentage of 11<sup>th</sup> and 12<sup>th</sup> graders score well on Advanced Placement tests.
- One-fourth of 9<sup>th</sup> graders do not graduate from high school.
- A significant percentage of “at-risk” elementary and secondary students fail to complete their public school education.

### ***HOW THE ALLOCATION OF FUNDS FOR TEACHERS FOR THE FUTURE WORKS?***

- Each teacher education program in a four-year institution receives a percentage of the Teachers for the Future funds based proportionately on the number of undergraduate teacher education graduates scoring between the 50<sup>th</sup> and 80<sup>th</sup> percentile on Praxis Series for teacher licensure and certification.
- Each teacher education program in a four-year institution receives a percentage of the Teacher for the Future funds based proportionately on the number of undergraduate teacher education graduates scoring above the 80<sup>th</sup> percentile on Praxis Series for teacher licensure and certification.
- Each two-year institution receives a percentage of Teachers for the Future funds based proportionately on the number of graduates who successfully obtain an AAT degree, or for students who transfer with 42 credit hours and are admitted to a participating four-year teaching program.
- Each teacher education program in a four-year institution receives funds to develop and provide a three-year mentoring program for new undergraduate teacher education graduates to increase the retention rate of teachers in the classroom.
- To remain eligible for Teachers for the Future funds, participating programs must be reviewed and re-accredited by the Department of Elementary and Secondary Education.

### ***HOW ARE TEACHERS FOR THE FUTURE FUNDS USED?***

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- Teacher education programs use these funds to implement innovative changes in the teacher training curriculum corresponding to current best practices in the profession, e.g., Teachers for a New Era initiative sponsored by the Carnegie Corporation.
- Teacher education programs use these funds to develop partnerships with K-12 public schools; to support expanded clinical practice experiences; and to establish residency mentoring support for new teacher education graduates for the first two years of their teaching experience.
- Funds are used to support ongoing research and evaluation of learning outcomes of teacher education graduates and to continue improvement and make relevant teacher preparation curriculums.

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## *Promoting Economic Development and Fostering Vibrant Communities: Research and Service*

### **WHAT IS THE RESEARCH AND SERVICE INITIATIVE?**

The Research and Service Initiative is a program of targeted investments in basic and applied research and service activities that enhance the economic viability of the state and that address “real life” issues facing people and their communities. Desired outcomes include:

- Creation of new products and services for commercialization; increases in patents; and establishment of spin-off companies.
- Revitalization of business districts, support for small business entrepreneurs, and enhanced tech transfer.
- Safe healthy communities and civic renewal and engagement by citizens in community-based institutions and organizations.
- Improved environmental conditions (i.e., infrastructure, energy conservation, renewable resources, etc.).
- Improved health for Missouri citizens through the creation of new therapeutic regimes and diagnostic procedures.

### **WHY RESEARCH AND SERVICE INITIATIVE?**

- The state’s economic growth is directly linked to the amount of research and development spending in the state.
- The results of basic and applied research are directly tied to the commercialization of intellectual property (i.e., patents) which frequently attracts venture capitalists and leads to the creation of new spin off companies.
- Breakthroughs in life science research produce new delivery modes and treatments for some of our major health issues of the day.

- Applied research, particularly in the social and behavioral sciences, bring practical solutions to issues facing communities (e.g., crime, poverty, substance abuse, neighborhood revitalization, teenage pregnancy, and literacy).
- Basic and applied research provides the solutions to significant infrastructure issues such as homeland security, utilities and telecommunications, and transportation.
- The outcomes of university research contributions to: objective information to inform economic and public policy; technology transfer of newly developed knowledge to industry; support of new entrepreneurial futures; technical advisory assistance to small businesses; and establishment of joint university-private enterprises.

## ***HOW THE ALLOCATION OF FUNDS FOR THE RESEARCH AND SERVICE INITIATIVE WORKS?***

- Institutions receive 2% of their actual restricted direct expenditures for externally sponsored research in the prior fiscal year.
- Institutions receive 2% of their actual restricted direct expenditures for externally sponsored public service activities in the prior fiscal year, including those for economic development and community outreach purposes. Excluded are direct federal appropriations for cooperative extension and agricultural experiment stations.
- The balance of the Research and Service Initiative funds could be distributed on the basis of competitive applications for projects supporting economic development and community service priorities of the state. Proposals could be subject to a peer review process.

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## ***Workforce Needs for Regional and Global Competitiveness: METS Initiative***

### ***WHAT IS METS?***

The METS Initiative is a program designed to develop the critical mass of human talent needed to support strategic industries key to Missouri's future regional and global competitiveness. The METS Initiative:

- Meets future workforce needs in occupational fields requiring education, training, and skills development in science and technology (i.e., mathematics, engineering, technology, and science)
- Provides support for employers needing focused workforce training programs
- Supports economic growth in cluster industries essential to Missouri's future
- Helps attract, develop, and retain new businesses strategically important to the state's economy
- Ensures Missouri's economic competitiveness, regionally and globally.

### ***WHY METS?***

- Missouri's P-20 Council has identified improvement in science and technology (METS) competencies as critical to meeting the workforce demands in occupational areas linked to key industries in the state.
- Sustained growth and innovation are keys to maintaining competitiveness in the global economy and require integrated investments in science and technology (METS).
- The state's abilities to remain economically viable in the long-term requires investing in workforce training systems that provide workers the opportunity to improve technical skills and abilities to compete in the 21<sup>st</sup> century.
- The ability of the state to attract new businesses and support entrepreneurial ventures is dependent on the availability of a highly educated workforce equipped with technology expertise and skills that enable them to be productive in a fast-paced knowledge oriented economy.
- There is a growing gap between degree completions in science and technology fields and projected employment needs in Missouri.
- A technical skills gap exists in the state's incumbent workforce relative to skills required to meet the needs of targeted emerging industries in the state.

### ***HOW THE ALLOCATION OF FUNDS FOR METS WORKS?***

- Each four-year institution receives a portion of the METS Initiative funds based on its proportionate share of students with declared majors in METS fields of study. In addition, each participating institution also receives a portion of METS funds based on its proportionate share of total degrees and certificates awarded (i.e., certifications, associate, baccalaureate, and graduate degrees) in METS fields of study (i.e., mathematics, engineering, technology, and science, including degrees in math and science education). Two-year institutions would also receive a share of funding based on four-year METS graduates who attended a community college.
- Two- and four-year institutions will also receive a portion of the METS funding based on total credit hours delivered in METS fields courses.
- A portion of the METS Initiative funds are distributed through incentive grants as a match for revenue provided by third party entities for specialized workforce training and development programs.
- A portion of the METS Initiative funds are distributed through competitive grants that support collaborative partnerships between higher education, public schools and the business sector that will increase the number of students graduating in METS fields of study or spawn the development of entrepreneurial ventures, innovation, and technology transfer applications.

## ***Protecting Investments: Maintenance and Repair***

### ***WHAT IS PROTECTING INVESTMENTS?***

Protecting Investments is a strategic initiative to retain the value of the physical assets in public higher education, and improve the teaching and learning environment for students, faculty, and staff at Missouri's colleges and universities.

The desired outcomes of this initiative are:

- Updated facilities to address critical safety and accessibility issues
- Increased usage of environmentally friendly and efficient utility systems
- Increased support for the preservation of facilities to prevent early deterioration and more costly replacement

### ***WHY PROTECTING INVESTMENTS?***

- To preserve facilities, so they may be more effectively used in educational and research pursuits.
- To remain competitive in attracting and retaining students by providing high quality facilities and equipment.
- To provide an environment that supports enhanced teaching, learning, and research.
- To replace aged equipment that may limit the research capabilities in public higher education institutions.

### ***HOW THE ALLOCATION OF FUNDS FOR PROTECTING INVESTMENTS WORKS?***

- Each two-year and four-year institution receives on-going funding equal to 1.0 to 1.5% of the replacement value of its education and general facilities for annual maintenance and repair.
- To receive state funding, institutions are required to provide matching funds equal to the state's investment.

### ***HOW ARE PROTECTING INVESTMENT FUNDS USED?***

- Protecting investment funds are used for maintenance and repair projects that extend the useful life of educational and general facilities for their current purposes, and represent investments above the normal annual up-keep of facilities. Examples include, but are not limited to, roof repair/replacement, repair/replacement of building environment systems (HVAC), repair/replacement of core building infrastructure, etc. Protecting investment funds are not used for renovation, modernization, or adaptation for new use.

**Attachment 6****Performance Funding – Illustrative Example****Student Learning: Assessment of General Education****Actual Performance Funding Items will be Driven by *Imperatives for Change***

**Points:** Points will be accumulated for this assessment based on the comparison made by the institution in one of the two ways with a maximum point total of 10:

1. Improvement relative to prior performance, or
2. Performance relative to an established benchmark.

**Descriptor:** Institutions are to assess undergraduate student using a standardized nationally normed test of general education. Institutions may use College Basic Academic Subjects Examination (College BASE), Collegiate Assessment of Academic Proficiency (CAAP), Measure of Academic Proficiency and Progress (MAPP), or other national normed general education assessment to measure student learning.

**Purpose:** This standard is designed to provide incentives to institutions for improvements in the quality of their undergraduate general education program as measured by the performance of graduates on an approved standardized test of general education.

**Evaluation:** General education testing is measured by the overall performance (mean score) of an institution. National norms should be drawn from similar Carnegie type institutions, including an accounting for selectivity. Performance is evaluated by comparing the institutional average score with the national average for the appropriate Carnegie type reference group and express as a percentage of the national average (no percent attainment may exceed 100%).

**General Education Assessment****Improvement Relative to Prior Performance**

Institution Improvement Over Prior Year	0%	1% to 2%	3% to 5%	6% to 7%	8% to 9%	10%
Points	0	2	4	6	8	10

**or****Performance Relative to Benchmark**

Institution % to National Avg.	Below 70%	70% to 75%	76% to 81%	82% to 87%	88% to 93%	94% to 100%
Points	0	2	4	6	8	10

## Performance Funding - Illustrative Example

### **Student Learning- Major Field Assessment Instrument or Certification/Licensure Examination**

**Actual Performance Funding Items will be Driven by *Imperatives for Change***

**Points:** Points will be accumulated for this assessment based on the comparison made by the institution in one of the two ways with a maximum point total of 10:

1. Improvement relative to prior performance, or
2. Performance relative to an established benchmark

**Descriptor:** Institutions are to assess graduates at all levels using a national standardized major field test or licensure examination. In major areas in which national standardized tests are not available, institutions may develop test instruments. Such test should be pilot tests and validated to provide for evaluation and to develop scores or subsequent comparisons. For those undergraduate students required to pass a licensing examination to practice their profession, licensure examination scores may be used in lieu of assessment in major field.

**Purpose:** This indicator is designed to provide incentives for institutions to improve the quality of major field programs as evaluated by the performance of graduates on approved examinations.

**Evaluation:** Performance on major field is considered successful if the test score is either at or above a recognized norm or show improvement over the institution's most recent test score.

#### **Improvement Relative to Prior Performance**

Institution Improvement Over Prior Year	0%	1% to 2%	3% to 5%	6% to 7%	8% to 9%	10%
Points	0	2	4	6	8	10

**or**

#### **Performance Relative to Benchmark**

Institution % to National Avg.	Below 70%	70% to 75%	76% to 81%	82% to 87%	88% to 93%	94% to 100%
Points	0	2	4	6	8	10

## Performance Funding - Illustrative Example

## Total Degrees and Certificates Awarded

Actual Performance Funding Items will be Driven by *Imperatives for Change*

**Points:** Points for this assessment will be accumulated based on the public higher education system as a whole with a maximum point total of 10. Points will be tallied differently for degrees and certificates awarded, and the number of undergraduates who complete the 42 hour general education block and transfer to a four-year institution.

**Description:** Degrees and certificates awarded annually to undergraduates will provide the basis for this assessment.

**Purpose:** This indicator is designed to provide incentives for institutions to improve efficiency and increase the number of undergraduate degrees and certificates.

**Evaluation:** Performance is evaluated based on the entire system's ability to increase the number of degrees and certificates awarded, and the number of undergraduates who complete the 42 hour general education block and transfer to a four-year institution. Maximum funding received for this indicator will be prorated based on the whole public system percent increase with a maximum of 100% of funding being allocated. Each institution will then receive its proportional share of funding based on its percentage of the total number of degrees and certificates awarded.

### Increase in Degrees and Certificates Awarded - measurement of the public system as a whole

Total System % Increase in Degrees and Credentials	0%	1%	2%	3%	4%	5%	6%	7%	8%	9%	10%
Points	0	1	2	3	4	5	6	7	8	9	10